Supreme Court, U.S.
FILED

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

J. MICHAEL TEETS,

Petitioner,

VS.

CHROMALLOY GAS TURBINE CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

ROBERT E. PERSHES
Counsel of Record
PERSHES & SCHWARTZ, P.A.
2801 University Drive, Suite 205
Coral Springs, Florida 33065
(954) 341-2801

45 pp

QUESTION PRESENTED

INTRODUCTORY STATEMENT

The case below involves an engineer who was requested to perform engineering duties for his employer in connection with the employer's client project. The client expressed long term objectives, but only engaged the employer to perform specific engineering tasks. The engineer on his own invented a process which was directed at the client's long term objective.

1. Whether an engineer's invention is impliedly assigned to his employer because of a goal or objective expressed by the employer's client when the engineer has not been asked to invent, nor was it part of his regular duties, nor was it part of the contract between employer and client.

LIST OF ALL PARTIES TO THE PROCEEDING

The parties to the proceeding below were the Petitioner, J. Michael Teets, and Respondent Chromalloy Gas Turbine Corporation which is a wholly owned subsidiary of Chromalloy American Corporation, which is a wholly owned subsidiary of the Sequa Corporation.

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No.

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ON PETITION FOR A WRIT OF CERTIORARI
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PETITION FOR WRIT OF CERTIORARI

Petitioner, J. MICHAEL TEETS, ("Teets") requests that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit entered in this action on May 2, 1996, and petition for rehearing denied on July 1, 1996, which reversed a final judgment of the United States District Court for the Southern District of Florida.

OPINIONS BELOW

The opinion of the Court of Appeals (Pet. App. A 3-11) is reported at 83 F.3d 403, 38 U.S.P.Q. 2d 1695 (CAFC 1996). The opinion of the District Court is attached hereto (Pet. App. A-14-25).

JURISDICTION

The opinion of the Court of Appeals (Pet. App. A 3-11) was entered on May 7, 1996. A timely petition for rehearing with a petition for rehearing en banc was denied on July 1, 1996. The jurisdiction of this Court rests upon 28 U.S.C. 1254(1).

STATEMENT OF THE CASE

In 1983, Douglas Burnham started DRB Industries ("DRB") as a sophisticated machine shop which manufactured parts for the aerospace industry. It was DRB's job to build their client's components pursuant to written contracts and associated blueprints and specifications supplied by the customer. No research or inventive contracts were accepted by DRB. There was no research or inventive work facilities established by DRB nor was their a research or invention budget. From 1983 through 1989 when DRB sold its assets to Chromalloy Gas Turbine Corporation ("Chromalloy") no patents and/or patent applications were ever filed. No patents or patent applications were transferred to Chromalloy nor had any employee of DRB ever applied for a patent. DRB's sole purpose was to manufacture components for the aerospace industry pursuant to its customer's strict contract specifications.

J. Michael Teets ("Teets") was hired by Douglas Burnham (then owner of DRB) in September, 1985, as a process manufacturing engineer. Plaintiff's job duties included creating "travelers" which are documents that map out specific steps to manufacture the part, i.e., directions given by the engineer to operators on the machine shop floor. Teets was not employed to do inventive work nor was he ever assigned to do so as DRB did not perform this work.

In 1989, DRB's assets were purchased by Chromalloy. DRB became a division of Chromalloy. All DRB employees including Teets were fired. Teets was rehired pursuant to a written agreement which stated:

> "While we hope our relationship will be a long and mutual beneficial one, it should be recognized that neither you nor we have entered into any contract of employment expressed or implied. Our relationship is and will be one of voluntary employment at will."

On October 1991 General Electric Corporation (GE) came to DRB for it to manufacture a component of a jet engine called the leading edge (a metal cover over the blades in front of a new jet engine GE was developing).

GE expressed a desire to have the blade edge built as one piece but engaged DRB by written contact to build the leading edge from three components which would be welded together. GE did not engage DRB to perform any design research or inventive services.

Teets was assigned the task to oversee having the leading edge built by DRB's plant pursuant to the GE written contract. In the course of such work on his time, at home, he invented a new method called the hot form process (HFP) which could accomplish manufacturing of a leading edge utilizing one piece of metal.

When Teets brought this concept to his boss Burnham, he was told not to get side tracked with such invention but rather to get back to performing the GE contract which was only for manufacture of the three piece welded configuration. Shortly thereafter, Teets suggested his idea to GE who expressed no desire to pursue it.

Several months later, problems developed with the three piece welded configuration and Teets was asked to attempt using his new invention. The invention proved successful resulting in Chromalloy and GE entering into a new agreement to utilize the Teets invention.

Chromalloy requested during the patent application process that Teets assign his invention to Chromalloy. Teets refused and brought suit demanding ownership of the invention.

After trial, the District Court Judge ruled in favor of Teets on the issue of ownership rights to the HFP invention. Chromalloy appealed to the U.S. Court of Appeals for the Federal Circuit which reversed the trial court's decision.

THE EMPLOYED TO INVENT RULE

The United States Supreme Court in 1932 in *United States v. Dubilier Condenser Corp.*, supra at 187-189, stated:

> "One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, it bound to assign to his employer any patent obtained. The reason is that he has only produced that which he was employed to invent. His invention is the precise subject of the contract of employment. A term of the agreement necessarily is that what he is paid to produce belongs to his paymaster. *Standard Parts Co. v. Peck*, 264 U.S. 52. On the other hand, if the employment be general, albeit it cover a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require an assignment of the patent. *Hapgood v. Hewitt*, 119 U.S. 226; *Dalzell v. Dueber Watch-Case Mfg. Co.*, 149 U.S. 315. In the latter case it was said [p.320]:
>
> > 'But a manufacturing corporation, which has employed a skilled workman, for a stated compensation, to take charge of its works, and to devote his time and services to devising and making improvements in articles there manufactured, is not entitled to a conveyance of patents obtained for inventions made by him while so

> employed, in the absence of express agreement to that effect'.

The reluctance of courts to imply or infer an agreement by the employee to assign his patent is due to a recognition of the peculiar nature of the act of invention, which consists neither in finding out the laws of nature, nor in fruitful research as to the operation of natural laws, but in discovering how those laws may be utilized or applied for some beneficial purpose, by a process, a device or a machine. It is the result of an inventive act, the birth of an idea and its reduction to practice; the product of original thought; a concept demonstrated to be true by practical application or embodiment intangible form. *Clerk Thread Co. v. Willimantic Linen Co.*, 140 U.S. 481, 489; *Symington Co. v. National Castings Co.*, 250 U.S. 383, 386; *Pyrene Mfg. Co. v. Boyce*, 292 Fed. 480, 481.

Though the mental concept is embodied or realized in a mechanism or a physical or chemical aggregate, the embodiment is not the invention and is not the subject of a patent. This distinction between the idea and its application in practice is the basis of the rule that employment merely to design or to construct or to devise methods of manufacture is not the same as employment to invent. Recognition of the nature of the act of invention also defines the limits of the so-called shop-right, which shortly stated, is that where a servant, during his hours of employment, working with his master's materials and appliances, conceives and perfects an invention for which he obtains a patent, he must afford his master a non-exclusive right to practice the invention. *McClurg v. Kingland*, 1 How. 202; *Solomons v. United States*, 137 U.S. 343; *Lane & Bodley Co. v. Locke*, 150 U.S. 193. This is an application of equitable principles. Since the servant uses his master's time, facilities and materials to attain a

> concrete result, the latter is in equity entitled to use that which embodies his own property and to duplicate it as often as he may find occasion to employ similar appliances in his business. But the employer in such a case has no equity to demand a conveyance of the invention, which is the original conception of the employee alone, in which the employer had no part. This remains the property of him who conceived it, together with the right conferred by the patent, to exclude all others than the employer from the accruing benefits. These principles are settled as respects private employment.

This Court has clearly indicated as cited heretofore that only if one is specifically employed to invent will the invention of the employee belong to the employer. This controversy focuses on the application of this concept and how broadly can it be interpreted. Does the fact that an engineer who was only engaged to perform routine engineering services, on his own, deciding to create a new process, lose his rights because the invention coincides with long term goals his employer would like to achieve. Such a broad interpretation makes virtually all engineering work inventive in nature and property of the employer. This is directly contrary to the rationale of the Court in *United States v. Dubilier Condenser Corporation*, supra.

THE FLORIDA STANDARDS

The inventor takes title to his invention by occupancy, i.e., it vests with the inventor by reason of his being an inventor. *Walker on Patents*, 2d Ed. Vol. 4, § 334; *Cahill v. Regan*, 5 N.Y. 2d 292, 121 U.S.P.Q. 58 (1959). The burden of proof now shifts to Chromalloy to prove that the contract of employment by express terms or by unequivocal inference shows that the employee was hired for the express purpose of producing the thing patented. If the employment is general and the invention is incident to it, the employer cannot claim the patent. *State v. Neal*, 12 So.2d 590 (Fla. 1943). The *Neal* case follows the Florida Rule set forth by the Florida Supreme

Court in *State Board of Education v.Bourne*, 7 So.2d 838 (Fla. 1942).

The Florida Supreme Court in *Bourne* reviewed the leading Supreme Court cases of *Standard Parts Co. v. Peck*, 264 U.S. 52 (1923), and *United States v. Dubilier Condenser Corporation*, 289 U.S. 178, 53 S.Ct. 554 (1932) (which further clarified *Peck*), and stated:

> In *United States v. Dubilier Condenser Corporation*, supra, a majority of the Court held that in cases of this kind, the mental concept of the object, thing or material is the subject of patent and that an employment to design, devise, or construct methods of manufacture is not the equivalent of an employment to invent, ... when an employer undertakes to establish a claim to a patent or a patentable object as against his employee who is the inventor, he must show beyond question that the employment was for the specific purpose of making the invention.

State Board of Education v. Bourne, supra at 840, 841. State law governs ownership rights in patentable inventions, including the rights between an employer and an employee. *Harsco Corp. v. Zlotnicki*, 779 F.2d 906, 228 U.S.P.Q. 439 (3d Cir. 1985), *cert. den.*, 476 U.S. 1181 (1986).

For Chromalloy to prevail, it has the burden of proof and must show with an "unequivocal inference" (*Neal*, supra at 592) and "beyond question" (*Bourne*, supra at 840, 841) that Teets was hired to invent or specifically assigned to invent. This burden can only be satisfied when "every factor in the transaction and the evidence conclusively supports this". (*Neal*, supra at 591). Webster's Third New International Dictionary of the English Language Unabridged, Merriam-Webster (1981) defines "unequivocal" as leaving no doubt.

Unless Chromalloy can meet this extremely high burden, then by operation of law, Teets would be entitled to ownership of the invention by virtue of his being its inventor. Since the factual determination of the Court clearly demonstrates

that Chromalloy cannot meet this burden, Petitioner, Teets, must be declared the owner of the "HFP".

THE PROCEEDINGS BELOW

The District Court after reviewing all the facts, demeanor of witnesses, and weighing the evidence found that Chromalloy had not met its burden of proof. The Court of Appeal for the Federal Circuit reweighed the evidence, came to its own conclusion of fact to support its decision that an implied contract existed between employer and employee to invent; although the written contract of employment said there was no such agreement; although the employee's manager said the employee was never asked to invent; although the contract of the employer and customer did not call for any inventive services.

In spite of the above, the Appellate Court concluded that Chromalloy had shown an "unequivocal inference" that the employee was to perform inventive work.

The criteria for what is "clearly erroneous" was definitively set forth in *U.S. v. U.S. Gypsum Co.*, 68 S.Ct. 525, 542 (1948), 333 U.S. 364, 395. When there are two permissible views of the evidence, the fact finder's choice between them cannot be "clearly erroneous". *Anderson v. City of Bessemer City, North Carolina*, 105 S.Ct. 1504 (1985), 470 U.S. 564; *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 89 S.Ct. 1562, 1576 (1969), 395 U.S. 100, 123. In determining whether a finding is clearly erroneous, the rule requires that due regard be given to the opportunity of the trial court to judge the credibility of the witnesses. *Anderson v. City of Bessemer City, North Carolina, supra*. The Appellate Court, in reviewing findings, does not consider and weigh the evidence de novo. *Zenith Radio Corp. v. Hazeltine Research, Inc.*, supra. *U.S. v. E.I. DuPont de Nemours & Co.*, 76 S.Ct. 994, 999 (1956), 351 U.S. 377, 381. When the evidence would support a conclusion either way, a choice by the trial judge between two permissible views of the weight of the evidence is not "clearly erroneous" and the fact that the trial

judge totally rejected an opposed view does not impeach the propriety of his conclusions.

The mere fact that on the same evidence the Appellate Court might have reached a different result does not justify it in setting the District Court's findings aside. *Amadeo v. Zant*, 108 S.Ct. 1771 (1988), 486 U.S. 214; *Anderson v. City of Bessemer City, North Carolina*, supra; *Zenith Radio Corp.*, supra; *Zenith Radio Corp. v. Hazeltine Research, Inc.*, supra. Under the "clearly erroneous" standard, the question is not simply whether the reviewing court would have found otherwise but whether the trial court permissibly could find as it did. *Bianchine v. Humble Pipe Line Co.*, 480 F.2d 251 (CA 5th 1973).

REASONS FOR GRANTING THE WRIT

I. THE DECISION BELOW RAISES AN IMPORTANT QUESTION BECAUSE IT TAKES AWAY INVENTIVE RIGHTS FROM SOMEONE WHO WAS NOT TOLD HIS DUTY TO HIS EMPLOYER WAS TO PERFORM INVENTIVE WORK

As this country enters the new information age, the ability of it to compete will be in large part determined by the inventive nature of the country's engineers and scientists. The decision of the Court of Appeals of the Federal Circuit would destroy the inventive motivation.

This Court has indicated in *Standard Parts Co. v. Peck*, supra, that when someone is engaged to solve a specific problem, the fruit of that work belongs to the one paying for such efforts i.e., the employer.

However, this Court clarified the decision of *Peck* in the case of *United States v. Dubilier Condenser Corporation*, supra, wherein the court stated "that employment to design, devise or construct methods of manufacture is not the equivalent of an employment to invent".

In this case, the Appellate Court has made engineering the equivalent to inventive work. Such a decision would disenfranchise all engineers and designers from their inventive rights, with the employer simply alleging that the work being done was part of the employer's overall long term goal. Since most manufacturers desire to make a part better, more cost effective, and with fewer operations, all such inventions would become the property of the employer. There would be little incentive for engineers to go above and beyond their engineering calling. The employer who may already assert a shop right, to exploit any invention created on his premises or with his funds without payment of royalty or license fees, would own the entire invention.

The Petitioner herein was not told to invent. The employer was not engaged in inventive work, nor was the contract with the customer for inventive services. To create an implied contract to invent from a long term objective of a customer is not the "showing beyond question" that the employment was for the specific purpose of making such invention this Court interpreted nor that was contemplated by the Florida Supreme Court. *State Board of Education v. Bourne*, supra at 840, 841.

II. THE DECISION BELOW IS IN CONFLICT WITH THE UNITED STATES SUPREME COURT DECISION IN *UNITED STATES V. DUBILIER CONDENSER CORPORATION* AND THE FLORIDA SUPREME COURT DECISION OF *STATE BOARD OF EDUCATION VS. BOURNE*

The Court of Appeals of the Federal Circuit has ignored the peculiar nature of the act of invention. The Appellate Court has made engineering, applying known science to specific problems, the equivalent to being told to invent.

This concept was rejected by the Court when it stated in *United States v. Dubilier*, supra at 187, 188,

> "This distinction between the idea and its application in practice is the basis of the rule that employment merely to design or to construct or to devise methods of manufacture is not the same as employment to invent."

The Petitioner herein was assigned to devise a method of manufacture, being a three piece welded unit. He was not told to invent a new process. In fact, after deriving the new process, he was told by his manager to go back to the manufacturing process the contract required.

Such facts require that the inventive rights reside with the inventor.

In cases where there is a question, the employer who undertakes such a claim to an invention must show beyond question that the employment was for the specific purpose of making the invention. *State Board of Education vs. Bourne*, supra, page 841.

Only when every factor in the transaction and relationship and the evidence conclusively supports an "unequivocal inference that the employee was specifically engaged to invent can the evidence be sufficient. *State v. Neal*, 12 So.2d 590 at 592 (Fla. 1943).

It is only by ignoring the testimony of Teet's manager and the content of the GE contract that the Appellate Court can reach its conclusion that Chromalloy has met its burden of proof.

The Appellate Court incorrectly reweighed the evidence and set aside pertinent facts and testimony to disenfranchise the inventor. The Florida Supreme Court intended such a result only when the evidence permitted only one conclusion. The decision of the Appellate Court now allows every employer's goal or dream to be a basis for an "implied contract to invent". Such decision is directly contrary to the language and intent of the Florida Supreme Court which was protecting inventor rights and applying the United States Supreme Court's reasoning in *Dubilier*. To allow such decision to stand

would invite the creation of a new element to be reviewed in these cases, the employers' hopes, dreams, goals and aspirations.

CONCLUSION

Certiorari should be granted.

Respectfully submitted,

ROBERT E. PERSHES
PERSHES & SCHWARTZ, P.A.
Attorneys for Petitioner
2801 University Drive
Suite 205
Coral Springs, Florida 33065
Phone: (954) 341-2801

By: _____
ROBERT E. PERSHES
Fla. Bar #: 301906

ADDENDUM

ADDENDUM

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the CROSS-APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate has already issued.

FOR THE COURT,
FRANCIS X. GINDHART, CLERK

Dated: July 1, 1996

By //S//
Brian P. LeDuc
Associate Chief Deputy Clerk

cc: STANLEY H. LIEBERSTEIN
ROBERT E. PERSHES

TEETS V CHROMALLOY GAS TURBINE CORP, 95-1379, -1389
(DCT - 93-14132)

* *
* Note: Pursuant to Fed. Cir. R. 47.6, this order is not *
* citable as precedent. It is a public record. *
* *

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

95-1379,-1389

J. MICHAEL TEETS,

Plaintiff/Cross-Appellant,

V.

CHROMALLOY GAS TURBINE CORPORATION,

Defendant-Appellant.

JUDGMENT

Appeal from a decision of the United States District Southern District Court for the Southern District of Florida in 93-14132 entered May 25, 1995, Judge Edward B. Davis.

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

REVERSED

ENTERED BY ORDER OF THE COURT

DATED: May 7, 1996

//S//

Francis X. Gindhart, Clerk

ISSUED AS A MANDATE: May 28, 1996

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

95-1379,-1389

J. MICHAEL TEETS,

Plaintiff/Cross-Appellant,

V.

CHROMALLOY GAS TURBINE CORPORATION,

Defendant-Appellant.

DECIDED: May 7, 1996

Before NEWMAN, MICHEL, and RADER, *Circuit Judges*.

opinion for the court filed by *Circuit Judge* RADER, *Circuit Judge* NEWMAN concurs in the result.

RADER, *Circuit Judge*.

Chromalloy Gas Turbine Corporation (Chromalloy) and J. Michael Teets dispute ownership of an invention called the hot forming process (HFP). Following a bench trial, the United States District Court for the Southern District of Florida concluded that Teets solely owned the HFP and enjoined Chromalloy from certain uses of the HFP. Because the district court erred in concluding Teets owned the process, this court reverses.

BACKGROUND

The General Electric Aircraft Company (GE) developed a more powerful and fuel efficient jet engine called the GE90. In conjunction with this development, GE designed a composite turbine engine fan blade which was lighter than existing metal fan blades. These lightweight blades, however, fractured more frequently from contact with birds, freezing rain, and other debris.

GE tried to solve this problem by fitting the leading edge of the blade with a hard protective covering of electroform nickel. After initially failing to manufacture the edge internally, GE asked DRB Industries, a division of Chromalloy, to devise a method of manufacturing the leading edge for the new composite blades. GE specified that DRB should make the leading edge of one piece of titanium. In fact, GE offered DRB a long-term contract if it was successful.

DRB labelled this project the GE90 Project. Less than a month later, in November 1991, Douglas R. Burnham, General Manager of DRB, assigned Teets as the Chief Engineer on the GE90 Project. Teets spent at least 70% of his time on the GE90 Project. At this time, Teets was an employee at will and had no written employment contract addressing ownership of inventive work. Burnham, on the other hand, had contractually agreed to assign any inventive rights to DRB.

On November 1, 1991, DRB proposed several initial manufacturing designs. All the proposals involved welding or diffusion bonding several pieces together to form the leading edge. On November 12, 1991, GE agreed to purchase some welded and bonded fan blades. In that agreement, however, GE indicated its desire that DRB continue to work toward a one-piece leading edge. In fact, GE specifically stated in the purchase agreement that it would enter into a long-term contract with DRB for production quantities of leading edges if DRB successfully developed a cost-effective method of manufacturing the one-piece leading edge.

In early 1992, GE discovered problems with DRB's weld method. The welds were porous, distorted, and suffered breakage at the joints. In response, GE ordered design changes. On March 12, 1992, Burnham and Teets met to discuss GE's required changes. During this meeting, Teets showed Burnham sketches he had drawn at home depicting Teets's initial idea for the HFP. Burnham thought the idea had potential. Nonetheless he instructed Teets to make changes in the welding process because GE would not alter its delivery schedule for design changes. Teets refined the HFP idea while

still working on GE's changes to the welding process. Other employees at DRB assisted Teets in his refinement of the HFP process.

On April 21, 1992, Teets submitted a more detailed sketch of the HFP idea to Douglas Burnham and to Nigel Bond, GE's lead engineer on the GE90 Project. DRB also proposed other new approaches at this meeting. GE rejected all of the proposals.

In July 1992, GE tested the welded leading edges. Test results showed a complete composite failure. By August 1992, however, Teets had successfully tested the HFP at DRB. On the basis of this test data, DRB gained approval from GE. In October 1992, GE ordered 450 pieces using the HFP. Thereafter, GE continued to order one-piece leading edges manufactured with the HFP. In fact, GE still uses the HFP to manufacture leading edges for its GE90 engines.

In late 1992, Teets discussed with Burnham the need to seek patent protection for the HFP. On January 25, 1993, Teets sent a letter describing the HFP to Mitchell Bittman, patent counsel for Sequa Corporation, Chromalloy's parent company. In that letter, Teets states that DRB developed the HFP. On January 26, 1993, Teets and Burnham completed an invention disclosure form in preparation for a patent application. Teets identifies Burnham as co-inventor on that form. Both Teets and Burnham later assisted Bittman in the prosecution of a patent application for the HFP. The record in this appeal does not indicate if a patent has issued.

Teets first asserted sole ownership of the HFP process in April 1993. He, however, continued to assist in the prosecution of the patent application. On June 18, 1993, Teets filed this action against Chromalloy, seeking, among other things, a declaration of ownership of the HFP. On a summary judgment motion, the court concluded that Chromalloy held a shop right in the process. The district court then proceeded to try the issue of ownership. After a bench trial, the district court concluded that Teets solely owned the HFP and enjoined Chromalloy from licensing, selling, or transferring the

HFP for third-party use. The district court made comprehensive findings of fact which the parties do not dispute.

DISCUSSION

The party challenging a district court decision bears the burden of demonstrating reversible error. *King Instruments Corp. v. Perego*, 65 F.3d 941, 945, 36 USPQ2d 1129, 1131 (Fed. Cir. 1995) *petition for cert. filed*, 64 U.S.L.W. 3625 (U.S. Mar. 4, 1996) (No. 95-1418). This court will not set aside a trial court's findings of fact unless an appellant demonstrates clear error in those findings. Fed. R. Civ. P. 52. A finding of fact is clearly erroneous if the record lacks adequate evidence to support it "so that our review of the entire record leaves us with the definite and firm conviction that a mistake has been made." *Reich v. Department of Conservation & Natural Resources*, 28 F.3d 1076, 1082-83 (llth Cir. 1994) (quotations omitted).

Ownership springs from invention. The patent laws reward individuals for contributing to the progress of science and the useful arts. *See* U.S. Const. art. I, S 8. As part of that reward, an invention presumptively belongs to its creator. *See Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248, 26 USPQ2d 1572, 1582 (Fed. Cir. 1993); *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1578, 19 USPQ2d 1513, 1516 (Fed. Cir. 1991). This simple proposition becomes more complex when one creates while employed by another person.

Consistent with the presumption that the inventor owns his invention, an individual owns the patent rights even though the invention was conceived and/or reduced to practice during the course of employment. *Hapgood v. Hewitt*, 119 U.S. 226, 233-34 (1886) . At the same time, however, the law recognizes that employers may have an interest in the creative products of their employees. *Solomons v. United States*, 137 U.S. 342, 346 (1890). For example, an employer may obtain a shop right in employee inventions where it has contributed to the development of the invention. *McElmurry v. Arkansas Power & Light Co.* , 995 F. 2d 1576, 1581-82 (Fed. Cir. 1993) . A shop right permits the employer to use the

employee's invention without liability for infringement. Id. at 1580.

In addition, contract law allows individuals to freely structure their transactions and employee relationships. An employee may thus freely consent by contract to assign all rights in inventive ideas to the employer.

without such an express assignment, employers may still claim an employee's inventive work where the employer specifically hires or directs the employee to exercise inventive faculties. *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933); *Standard Parts Co. v.* Peck, 264 U.S. 52, 59-60 (1924). When the purpose for employment thus focuses on invention, the employee has received full compensation for his or her inventive work. *See generally McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920-21, 36 USPQ2d 1289, 1291 (Fed. Cir. 1995) (finding implied license to sell patented goods by aggrieved seller where patentee breaches sales contract), *cert. denied*, 116 *S.* Ct. 1268 (1996). To apply this contract principle, a court must examine the employment relationship at the time of the inventive work to determine if the parties entered an implied-in-fact contract to assign patent rights.

An implied-in-fact contract is an agreement "founded upon a meeting of the minds, which, although not embodied in an express contract, is inferred, as a fact from conduct of the parties showing, in the light of the surrounding circumstances, their tacit understanding.,, *Baltimore & Ohio R.R. v. United* States, 261 U.S. 592, 597 (1923). By comparison, an implied-in-law contract is a "fiction of law where a promise is imputed to perform a legal duty, as to repay money obtained by fraud or duress." *Hercules Inc. v. United States*, 116 S. Ct. 981, 986 (1996).

As a matter of common law, after the Supreme Court's decision in Erie *Railroad v. Tompkins*, 304 U.S. 64 (1938), state contract principles provide the rules for identifying and enforcing impliedin-fact contracts. Florida, however, like most states, follows pre-Erie Supreme Court decisions involving

ownership of inventive rights. *See State Bd. of Educ. v. Bourne*, 7 So. 2d 838, 839-40 (Fla. 1942) (relying on *Peck, Dubilier*, Solomons, and *Hapgood* to identify Florida law on implied contracts to assign inventive rights). Under these rules, a Florida employer can not claim ownership of an employee's invention "unless the contract of employment by express terms or unequivocal inference shows that the employee was hired for the express purpose of producing the thing patented." *State v. Neal*, 12 So. 2d 590, 591 (Fla.) (following *Bourne), cert. denied*, 320 U.S. 783 (1943). Thus, when an employer hires a person for general service and the employee invents on the side, the invention belongs to the employee. However, the employer may claim ownership of the invention if the employer hires a person for the "specific purpose of making the invention." Id. at 591. Even if hired for a general purpose, an employee with the specific task of developing a device or process may cede ownership of the invention from that task to the employer. *Id.*; *see also Goodyear Tire & Rubber Co. v. Miller*, 22 F.2d 353, 356 (9th Cir. 1927).

The existence of an implied-in-fact contract to assign inventive rights is a: question of fact. *See Mount Sinai Hosp. of Greater Miami, Inc. v. Cordis Corp.*, 329 So. 2d 380, 380 (Fla. Dist. Ct. App. 1976); *see also Liggett Group, Inc. v. Sunas*, 437 S.E.2d 674, 678, 30 USPQ2d 1678, 1680 (N.C. Ct. App. 1993). Consequently, we review the trial court's finding on this question of fact for clear error. *Reich*, 28 F.3d at 1082; *see Benrose Fabrics Corp. v. Rosenstein*, 183 F.2d 355, 357, 86 USPQ 237, 238 (7th Cir. 1950) (labeling of a finding as one of law as opposed to fact is not determinative of its true nature).

In *Neal*, the Florida Supreme Court confronted a case similar to this one. Dr. Neal, a general employee of the State, was assigned to Project No. 239, to study the "digestibility, coefficients, and feeding value of dried citrus waste." Neal, 12 So. 2d at 590. The project expanded to include "methods by which dried citrus waste could be made available as a dairy feed, the problem being to find a better method of excluding the moisture from it." Id.- Dr. Neal invented a method to dry

citrus waste. The state court concluded that the State owned the patent on that process.

In reaching this conclusion, the Florida Supreme Court considered that Dr. Neal was placed in charge of Project No. 239 and spent the majority of his time on that project. He used his employer's facilities and time to perfect his process. The goal of Project No. 239 was to develop a method to dry citrus waste. Dr. Neals employer paid for patent protection on his process. As the court explained: "The contract of employment was in its inception general but when Project No. 239 was set up under the Purnell Act and Dr. Neal placed in charge, it was from that time hence for the express purpose of accomplishing the result that was accomplished.11 Id. at 591. The court also relied on the employer's payment of prosecution expenses in addition to the purpose of the project to find an implied-in-fact contract favoring state ownership of the patent rights. Id. at 591-92.

Returning now to Teets, the specific goal of his project was to develop a one-piece leading edge. GE approached DRB to propose ways to apply a leading edge to turbine blades in its new engine. GE specifically and repeatedly expressed a desire for a one-piece solution. Faced with GE's requests, DRB, through Burnham, assigned Teets as the chief engineer on the GE90 project. Teets spent 70% of his time on that project. After undertaking the GE90 project and attempting several solutions to GE's problem, Teets developed the HFP. Teets reduced the invention to practice using DRB's resources -- DRB's employees, DRB's shop tools and materials, and DRB's time. DRB has paid and continues to pay for the prosecution of a patent application for the HFP.

Most important, as recognized by the trial court, Teets repeatedly acknowledged DRB's role in the development of the HFP. He stated "DRB, devised or developed" the HFP. In fact, the patent application lists another DRB employee, Burnham, as a co-inventor. Thus, Teets himself recognized DRB's role in the inventive activity.

These undisputed facts show an implied-in-fact contract of assignment between Teets and DRB. DRB specifically directed Teets to devise a one-piece leading edge for GE. Having directed Teets to that task, compensated him for his efforts, paid for the refinement of the process, and paid for the patent protection, Chromalloy owns the patent rights in the HFP. The Florida Supreme Court's decision in *Neal* governs this case and compels the conclusion that Teets entered an implied-in-fact contract to assign patent rights to Chromalloy.

The district court committed legal error by focusing on irrelevant facts to find no implied contract. For example, the trial court noted that no one at DRB had ever app!4-ed for a patent before the HFP application. The court apparently inferred from this that DRB was not in the business of inventing. The test for an implied-in-fact contract, however, does not focus on whether the enterprise in the past engaged in inventive activities, but whether the employee received an assignment on this occasion to invent. Teets in fact received the direct assignment to spearhead the GE90 project. The GE90 project, in turn, hinged on DRB's ability to find a one-piece leading edge for the composite fan blades. Teets received the assignment to solve GE's problem, which entailed invention.

Moreover, regardless of DRB's failure to pursue patents earlier, Chromalloy did seek patent protection on behalf of Teets. Reluctance to seek patent protection in the past does not estop an enterprise from asserting its property rights in an invention.

The trial court also noted that DRB did not enter an express agreement with Teets prior to the GE90 project. In the first place, DRB apparently had no express agreement of any kind with Teets. More important in this legal context, the absence of an express agreement characterizes all cases involving an implied-in-fact contract relationship. The absence of an express agreement does not foreclose the inquiry into the parties' intentions to assign inventive rights.

Finally, the district court relied upon the initial GE request that DRB use known processes when manufacturing the

leading edge. Most, if not all, patentable ideas involve combinations of known elements. *See, e.g., Intel Corp. v. United States Int'l Trade Comm'n*, 946 F.2d 821, 842, 20 USPQ2d 1161, 1179 (Fed. Cir. 1991). Consequently, GE's ambiguous limitation to known techniques does not preclude invention, let alone dictate the nature of relationships between DRB and its employees. In sum, the facts emphasized by the trial court do not preclude formation of an implied-in-fact contract.

CONCLUSION

The undisputed facts about the development of the HFP show an implied-in-fact contract to assign patent rights to DRB. Conse-quently, this court concludes that the district court clearly erred in its determination that Teets owned any rights to the HFP.

COSTS

Each party shall bear its own costs.

REVERSED

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
FORT PIERCE DIVISION

CASE NO. 93-14132-CIV-DAVIS

J. MICHAEL TEETS,

Plaintiff,

V.

CHROMALLOY GAS TURBINE CORPORATION, a Delaware Corporation,

Defendant.

_____/

JUDGMENT ON DECISION BY THE COURT IN FAVOR OF PLAINTIFF, J. MICHAEL TEETS, AND INJUNCTION AGAINST DEFENDANT, CHROMALLOY GAS TURBINE CORPORATION

This action came for trial before the Court, Honorable Edward B. Davis, District Judge, presiding. The issues having been duly tried and a decision having been duly rendered by the Court and the Court having executed Findings of Fact and Conclusions of Law dated April 6, 1995, it is

ORDERED AND ADJUDGED as follows:

1. As to Count I of Plaintiff's Amended Complaint seeking declaratory relief, Plaintiff, J. Michael Teets, is declared the sole owner of the Hot Forming Process invention. Douglas R. Burnham is not an inventor, and therefore, Douglas R. Burnham has no ownership right in the Hot Forming Process invention set forth in the patent application to assign to Chromalloy Gas Turbine Corporation.

2. Defendant, Chromalloy Gas Turbine Corporation, shall take nothing as to its counterclaim seeking declaratory relief as the Court finds in favor of Plaintiff, J. Michael Teets, on

the issue of sole ownership of the Hot Forming Process invention. Defendant, Chromalloy Gas Turbine Corporation, other than a shopright, has no ownership rights or ownership interests in and to the Hot Forming Process invention.

3. Defendant, Chromalloy Gas Turbine Corporation, its parent corporation, sister corporations, divisions, including but not limited to, TurboCombuster Technology, Inc. ("TCT"), their attorneys, agents., employees, officers, directors, representatives and all persons acting in concert with them, directly or indirectly, or under their control are hereby and forthwith permanently enjoined and prohibited from licensing, selling, transferring or assigning its rights in the Hot For-ming Process invention in any manner or authorizing any third party to make use of the invention known as the Hot Forming Process.

4. The Court reserves jurisdiction to enforce the injunction set forth in this judgment.

5. Plaintiff's Motion to Tax Costs, filed April 26, 1995, is DENIED. Each party shall bear its own costs.

DONE AND ORDERED in Chambers at Miami, Florida, this_____day of May, 1995.

//S//

EDWARD B. DAVIS
UNITED STATES DISTRICT JUDGE

cc: Robert Pershes
Marlene Silverman
Stanley Lieberstein

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
FORT PIERCE DIVISION

CASE NO. 94-14132-CIV-DAVIS

J. MICHAEL TEETS,

MAGISTRATE JUDGE TURNOFF

Plaintiff,

V.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

CHROMALLOY GAS TURBINE CORPORATION, a Delaware corporation,

Defendant.

_____/

The Plaintiff, J. Michael Teets, filed a complaint against the Defendant, Chromalloy Gas Turbine Corporation, and Chromalloy Gas Turbine Corporation, filed a counterclaim. This cause revolves around the issue of ownership of the Hot Forming Process invention ("HFP"). Many of the claims contained in the complaint and the counterclaim have been disposed of in three summary judgment orders issued by this Court[1]

The remaining claims in the complaint are Counts I and II. In Count 1, Plaintiff seeks declaratory relief declaring J. Michael Teets the sole owner of the HFP and sole owner of the patent application and any patent resulting from, the HFP invention. In Count II, Plaintiff seeks injunctive relief prohibiting Defendant from licensing or authorizing any third party to make use of the HFP.

[1] On September 23, 1994, the Court, in its Order on Motions for Summary Judgment, granted Chromalloy Gas Turbine Corporation a shop right in the HFP invention.

The only remaining claim in the counterclaim is Count 1. In Count I, Defendant seeks declaratory relief declaring chromalloy Gas Turbine Corporation the sole owner of the HFP and any patent ensuing from it, that Plaintiff is a co-inventor and not sole inventor, and that Chromalloy Gas Turbine Corporation is at least an indivisible joint owner of the HFP.

The parties tried this case before this court from October 31 through November 4, 1994. Based on the evidence adduced at trial, the Court enters the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. J. Michael Teets ("Teets") was employed as a chief engineer at DRB Industries ("DRB"), a division of Chromalloy Gas Turbine Corporation ("Chromalloy")[2].

2. When Teets first started working for DRB in 1985, his role was that of a manufacturing engineer. At that time DRB was owned by Douglas Burnham ("Burnham"). Teets' original duties included creating "travelers" which are documents that map out the specific steps of the operation to end up with the final part.

3. In 1989, Teets was released and rehired by DRB when Chromalloy purchased DRB. On February 9, 1989, Teets executed as part of his employment application, a statement which stated "that neither [Teets] nor [DRB] have entered into any contract of employment expressed or implied."

4. At that same time in 1989, Burnham was also released and rehired. When Chromalloy purchased DRB, Burnham was appointed general manager of DRB. Burnham was asked to enter into an employment contract, which he did. As one provision of the contract, Burnham agreed to assign any inventions he created to Chromalloy.

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[2] Throughout this Order, the term "DRB" shall mean and include Chromalloy, and vice versa, unless indicated otherwise.

5. Teets was known at DRB as the chief troubleshooter; he was responsible for using his engineering skills to help DRB solve technical problems. Teets was given his work assignments and instructions by Burnham up until the time Burnham left DRB in February, 1993.

6. In October, 1991, General Electric ("GE") approached DRB with a problem GE had encountered in the manufacture of a metal fan blade cover, called the "leading edge". The leading edge refers to a covering made of titanium that would be fitted to the outer or leading edges of the composite fan blades. GE had decided that it would be necessary to manufacture the leading edge from titanium. GE wanted a one-piece leading edge without any weld but had not been able to develop a way of manufacturing it themselves. GE requested some initial proposals from DRB for manufacturing the leading edge.

7. Burnham asked Teets, as DRB's chief engineer, to devise some of the initial proposals. On November 1, 1991, Burnham presented Kristi Hautman, GE's buyer, with a proposal. Each of the proposals involved welding or diffusion bonding. Diffusion bonding is a method of making the leading edge by bonding two or more pieces together in such a way that the resultant leading edge takes on the characteristics of a leading edge made from a single piece.

8. At a meeting held on November 11 and 12, 1991, employees of GE and DRB met to discuss the initial proposals and to exchange ideas for different ways of manufacturing the leading edge. At the meeting, the participants discussed a variety of ways to produce the leading edge, including (1) a three-piece welded leading edge with a machined nose; (2) a three-piece leading edge with a forged nose; and (3) a diffusion bonded version known at the time as a "single piece". All three proposals used known methods of manufacturing. At the time of this meeting, GE did not know how the leading edge should be designed. If DRB was able to come up with a way to make a one-piece leading edge, GE would have been interested in it.

9. As a result of the meeting, GE and DRB entered into an agreement. The agreement called for DRB to manufacture fifty (50) pieces or leading edges made from three pieces, welded together, utilizing a machined nose and one hundred fifty (150) pieces made from three pieces, welded together, utilizing a forged nose. It was DRB's hope that the manufacture of these leading edges would lead to a more extensive contract with GE. This agreement with GE was given the name "GE90 project".

10. GE stated in reference to the GE90 project that "It is further agreed that DRB Industries will fund proposal four, single piece fabrication for production quantities. It is [GE]'s intention to enter into a long term, agreement with DRB for production quantities if a successful method of manufacturing production quantities, economically, is successful." "Proposal four" was the diffusion bonded method proposed by DRB at the November 11th and 12th meeting.

11. One of the goals of the GE90 project was to manufacture a leading edge part that would withstand the stress that it would be subjected to. If DRB could come up with a manufacturing method that met this goal, GE was willing to enter into a long term contract with DRB.

12. The agreement between GE and DRB only required DRB to utilize known processes; it did not require inventive work or research work on the part of DRB.

13. According to Kristi Hautman, there was concurrent engineering on the part of both GE and DRB to come up with the least costly way to make the leading edge. DRB could not make a design change without first receiving GE's approval. GE did not pay any research or development costs for DRB.

14. Teets was named chief engineer of the GE90 project. Teets spent at least 70% of his time on the GE90 project.

15. Around February 1992 problems had developed with the weld method being used to produce the leading edge. The welds were breaking at the joints, porous, and distorted. Design changes were being ordered by GE to combat this

problem. Teets believed that there was progress being made toward improving the weld.

16. On or about March 12, 1994, Burnham and Teets met to discuss changes GE required. Even with these changes GE would not change delivery order dates. At the meeting, Teets presented Burnham with sketches that he had drawn at home. These sketches depicted Teets' idea for what ultimately became the HFP. Although Burnham thought the ideas had potential, he told Teets to stop engineering and to get back to what DRB had been contracted to do; that is, manufacture the leading edge pursuant to GE's specifications by the delivery dates.

17. On or about April 13, 1992, Teets, Burnham, and Fain Friberg met to discuss ways to refine DRB'S welding and diffusion bond methods. DRB was striving to find a more economical way to fabricate the leading edge, rectify the weld problems, and deliver quality parts on time. At the meeting, the participants came up with three methods. These methods, were presented to GE, but they were not accepted by GE.

18. On April 21, 1992, Teets submitted a more detailed sketch of the HFP idea to Burnham and Nigel Bond, GE's lead engineer on the GE90 project at that time.

19. Once Teets came up with the original idea for the HFP, he used DRB's employees to put the idea into practice. The actual forming of the project was done at DRB or by subcontractors hired by DRB.

20. In July 1992, GE conducted a "bird test" on the leading edge. The result of the test was a complete composite failure. At the time, GE thought that the failure was due to the weld.

21. In October 1992, the HFP was put into use. GE gave DRB another purchase order for four hundred fifty (450) pieces using the HFP.

22. In late 1992, Teets discussed the need to protect the HFP invention with Burnham.

23. On January 25, 1993, Teets sent a letter to Mitchell Bittman ("Bittman"), patent counsel for Sequa Corporation, the parent company for Chromalloy. In the letter, Teets states that DRB has developed the HFP. Teets also refers to April 21, 1993, as a time bar to filing a patent application.

24. On January 26, 1993, Teets and Burnham completed a "Sequa Invention Record" comprising a full disclosure of the HFP for the purposes of assisting Sequa in the preparation and filing of the patent application for the HFP. In the Invention Record, Teets identified Burnham as a co-inventor. Teets felt he had to list Burnham as a co-inventor as Burnham was Teets' managing supervisor.

25. Burnham had no input in the invention of the HFP other than to tell others in the shop to cooperate with Teets.

26. In April, 1993, a patent application was executed with Teets and Burnham listed as co-inventors. Prior to this patent application for the HFP, neither DRB nor an employee on behalf of DRB had ever filed an application for a patent.

27. Sometime in March or April 1993 was the first time Teets asserted any ownership rights in the HFP. Also in April, Teets refused to assign his ownership rights to the invention to Chromalloy.

CONCLUSIONS OF LAW[3]

A. Employed to Invent?

It is well settled that if an employee is specifically employed to create an invention, the employee is then bound to assign to this employer any patents he obtains. *See* e.g. *Solomons v. United States*, 137 U.S. 342, 11 S.Ct. 88, 34 L.Ed. 667 (1890) ("If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which

[3] To the extent that the Court relies on facts in this section, it adopts them as findings of fact.

he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his employer."); *United States v. Dubilier Condenser Corporation*, 289 U.S. 178, 187, 53 S.Ct. 554, 557, 77 L.Ed. 1114 (1932) (one who succeeds in making an invention he was employed to make is bound to assign to his employer any patent he obtains); *State Board of Education v. Bourne*, 7 So.2d 838 (Fla. 1942).

If, on the other hand, the employment is general, though it may cover a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require the assignment of the patent. *Hapgood v. Hewitt*, 119 U.S. 226, 7 S.Ct. 193, 30 L.Ed. 369 (1886); *See also Dalzell v. Dueber Watch Case Mfg. Co.*, 194 U.S. 315, 13 S.Ct. 886, 37 L.Ed. 749 (1893); *Bourne*, 7 So.2d at 841; *State v. Neal*, 12 So.2d 590 (Fla. 1943). The burden of proof is on the employer who claims ownership of a patent. *Bourne*, 7 So.2d at 841.

Florida law applies in this case. The Supreme Court of Florida, in *Bourne*, held that an employer could not claim the patent of an employee unless the contract of employment by express terms or unequivocal inference shows that the employee was hired for the express purpose of producing the thing patented. If the employment is general and the invention is incident to it, the employer cannot claim the patent. He must show that the employment was for the specific purpose of making the invention. *Bourne*, 7 So.2d at 840-1.

In a second case, *State v. Neal*, the Florida Supreme court again addressed the issue of ownership rights of patents between employer and employee. 12 So.2d 590 (Fla. 1943). In *Neal*, the court reiterated the standard set out in *Bourne*. The Court looked at a variety of factors before determining that the employment of Neal was for the specific purpose of making the invention. These factors included: (1) the purpose of the project, (2) the employee's role in the project, (3) whether the employee used the employer's facilities to perfect the

idea, (4) who paid for the expenses of patenting the invention, and (5) the employee's assigned task of developing a better method which his invention ultimately achieved. Id. at 591.

In the current case, it is undisputed that Teets' original employment contract was general. Teets' original duties included creating a "traveler", which is a document that maps out the specific steps of the operation to end up with the final part. In 1989, after being rehired by DRB, Teets executed an employment statement which stated "that neither [Teets] nor [DRB] have entered into any contract of employment expressed or implied." Because Teets' original employment was general, the issue the Court must decide is whether unequivocal inference shows that, in connection with the GE 90 project, Teets was employed for the expressed purpose of producing the HFP.

Some of the facts in this case support a conclusion that, in connection with GE90 project, Teets was employed for the expressed purpose of inventing the HFP. From the beginning, GE made it clear that they did not know how to successfully make the leading edge. GE requested proposals from DRB, decided to try two of the methods proposed, and stated that if DRB could successfully manufacture an economical one-piece leading edge whether by diffusion bonding or otherwise, GE would be interested in entering into a long term contract. Teets was assigned to the GE90 project as Chief Engineer and spent a minimum of 70% of his time on the GE90 project. In addition, Teets consistently referred to the HFP in terms of DRB; i.e., "DRB has devised or developed" or "we implemented" the HFP to protect "DRB business". In fact, Teets did not assert his claim of ownership until April 1993 and even after asserting this claim, Teets proceeded to sign the patent application which Bittman, Sequa's patent counsel, filed on April 21, 1993.

Other facts in this case support a conclusion that, in connection with the GE90 project, Teets was not employed for the expressed purpose of inventing the HFP. In general, prior to the HFP, neither DRB nor an employee of DRB on DRB's

behalf had ever applied for a patent indicating that DRB was not in the business of inventing. In fact, although DRB could have entered into an agreement with Teets when Teets was hired requiring Teets to assign any inventions to DRB, DRB did not do so. In terms of the GE90 project, the contract did not require any inventive work. DRB was only expected to use known processes when manufacturing the leading edge. The research and development work was being done at GE. Teet's job as it related to the GE90 project was to manufacture the leading edge to meet GE's specifications. Although GE would have preferred a one-piece leading edge, the contract did not require this. In terms of the patent application, it is true that Teets did not assert a claim of ownership until April 1993, but this claim was asserted within days of Teets' meeting with his own independent counsel. Prior to that time, Bittman had not discussed ownership rights with Teets, nor had Bittman explained that Bittman's client was Chromalloy and not Teets.

Upon reviewing the facts of this case, the Court concludes that Chromalloy has failed to establish an unequivocal inference that Teets was employed for the expressed purpose of producing the HFP. Although there are facts that might support an inference that Teets was employed to invent the HFP, under the facts of this case, such an inference would be far from unequivocal as required in *Neal* and *Bourne*.

As the Court concludes that Chromalloy, as Teets' employer, has failed to meet its burden of proof, the Court finds for Teets on the issue of ownership of at least an undivided one-half interest in the HFP.

B. Jurisdiction to Declare Teets Sole Inventor of the HFP

In Count I of the Complaint, Teets seeks declaratory relief declaring Teets the sole inventor of the HFP and ordering the correction of the pending patent application. Teets claims that 35 U.S.C. §256 gives the Court jurisdiction to decide this claim. 35 U.S.C. §256 states:

> *Whenever through error a person is named in an issued patent* as the inventor, or through error an inventor is not named in an *issued patent* and such error arose without any deceptive intention on his part, the commissioner may, on application of all the parties and assignees, with proof of the facts and such other requirements as my be imposed, issue a certificate correcting such error.
>
> The error of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section. The court before which such matter is called in question may order correction of *the patent* on notice and hearing of all parties concerned and the Commissioner shall issue a certificate accordingly.

(emphasis added). It is plain from the language of the statute that under § 256, the Court only has jurisdiction to correct issued patents, not patent applications.[4] See Chisum, *Patents*, § 2.04(2) (1994 Ed.).

In order to correct a pending patent application, an inventor must look to 35 U.S.C. § 116 which states in part:

> Whenever through error a person in named in an application for patent as the inventor, or through error an inventor is not named in an application and such error arose without any deceptive intention on his part, *the Commissioner* may permit the application to be amended accordingly, under such terms as he prescribes.

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[4] Teets directs the Court to *Dee v. Aukerman*, 625 F.Supp 1437 (S.D. Ohio 1986), for the proposition that § 256 gives the Court jurisdiction to correct pending patent applications. A review of this case reveals that the court in *Dee* was faced with determining whether it had jurisdiction to correct an issued *patent* not a patent application and is therefore not applicable to the instant case.

(emphasis added). A review of § 116 reveals that it gives the Commissioner the power to correct the names inventors in a pending patent application. It does not give the Court that same power. See *Roach v. Crouch*, 17 U.S.P.Q. 2d 1250, 1251 (N.D. Iowa 1990) ("The clear language of the entire statutory section [section 116] demonstrates that its purpose is to provide relief for errors made only in the application process . . . [O]nce a patent has been issued, [plaintiff's] proper remedy appears to be under 35 U.S.C. § 256 which details the procedure for deleting the name of an "erroneously joint person" from a patent"). The Court finds that it does not have jurisdiction, either under § 256 or § 116, to correct the name of the inventor on the patent application.

C. Ownership of the Patent

Although the Court does not have jurisdiction to correct the names of the inventors listed on the HFP patent application, the issue of ownership is clearly within this Court's jurisdiction. The Court has jurisdiction over both Teets and Chromalloy, the only two parties asserting an ownership right in the HFP invention.

The evidence at trial was unequivocal; Burnham was not an inventor of the HFP.[5] As Burnham was not an inventor,

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[5] Chromalloy argues that Teets should be barred by the doctrine of assignor estoppel from asserting that Burnham is not a coinventor. "Assignor estoppel is an equitable doctrine that prevents one who has assigned the rights to a patent (or patent application) from later contending that what was assigned is a nullity. The estoppel also operates to bar other parties in privity with the assignor, such as a corporation founded by the assignor." *Diamond Scientific Co. v. Ambico, Inc.*, 848 F. 2d 1220, 1224 (Fed. Cir.) cert. dismissed, 487 U.S. 1365, 109 S.Ct. 28, 101 L.Ed. 2d 978 (1988).

This Court finds that based on the equities of the parties, the application of assignor estoppel is not warranted. First, the Court does not find Burnham to be in privity with Plaintiff. Additionally, Burnham does not stand to gain by testifying that he was not an inventor of the HFP. Finally, if the Court allowed Chromalloy to assert the doctrine of assignor estoppel, it might prevent Teets from prevailing on his claim. This would not

(Footnote continued)

Burnham had no ownership right to assign to Chromalloy. Therefore, as no ownership right was assigned to Chromalloy, Chromalloy has no ownership rights in the HFP invention.

Thus, as between Teets and Chromalloy, Teets is the sole owner of the HFP invention.

Accordingly, it is

ORDERED AND ADJUDGED as follows:

1. As to Count I of the Complaint, the Court finds that as between Chromalloy and Teets, Plaintiff, J. Michael Teets, is the sole owner of the Hot Forming Process invention.

2. As to Count II of the Complaint, the Court will issue an injunction prohibiting Chromalloy Gas Turbine Corporation from licensing or authorizing any third party to make use of the invention known as the Hot Forming Process.

3. As to Count I of the Counterclaim, the Court finds in favor of Plaintiff, J. Michael Teets, and against Defendant, Chromalloy Gas Turbine Corporation, on the issue of sole ownership of the HFP.

The parties shall have 30 days from the entry of this order to claim their trial exhibits. Otherwise, the exhibits will be destroyed.

Plaintiff shall provide the Court with a form of Judgment within ten (10) days of the filing of this order.

DONE AND ORDERED in Chambers at Miami, Florida, this 6th day of April, 1995.

//S//

EDWARD B. DAVIS
UNITED STATES DISTRICT JUDGE

cc: Robert Pershes
Marlene Silverman

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be equitable as it was Burnham and not Teets who made the original assignment.

Supreme Court, U.S.
FILED
OCT 29 1996
CLERK

No. 96-503

IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

J. MICHAEL TEETS,

Petitioner,

vs.

CHROMALLOY GAS TURBINE CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

STANLEY H. LIEBERSTEIN
Counsel of Record for Respondent
OSTROLENK, FABER, GERB
& SOFFEN, LLP
1180 Avenue of the Americas
New York, New York 10036-8403
(212) 382-0700

15pp

INTRODUCTORY STATEMENT

This petition should be denied for two reasons. First, it fails to state a compelling error or reason justifying this Court's review. Second, the petition presents no issue which transcends the underlying dispute between the parties.

The Court of Appeals for the Federal Circuit correctly held, based upon the undisputed facts as found by the District Court, that Petitioner, as the Chief Engineer for Respondent, was employed to invent because he "received the assignment to solve GE's problem, which entailed invention."

The Federal Circuit based its decision on a clear and well established body of law. There is no split among the circuits or states as to what law applies. Contrary to the Petitioner's assertions, the Federal Circuit did not reweigh the evidence or make new "law," but rather, it issued a decision based on the District Court's undisputed Findings of Fact, and directly in line with both Florida law and Supreme Court precedent.

The petition, therefore, should be denied.

LIST OF ALL PARTIES TO THE PROCEEDING

The Petitioner is J. Michael Teets.

The Respondent is Chromalloy Gas Turbine Corporation.

Petitioner, however, incorrectly listed additional parties to the proceeding. Neither Chromalloy American Corporation nor Sequa Corporation were named as parties in the proceedings below.

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RESPONDENT'S BRIEF IN OPPOSITION TO PLAINTIFF'S PETITION FOR WRIT OF CERTIORARI

Respondent, Chromalloy Gas Turbine Corporation ("Chromalloy"), submits this brief in support of its request that the Court deny the petition for writ of certiorari seeking review of the opinion of the Court of Appeals for the Federal Circuit as reported at 83 F.3d 403, 38 U.S.P.Q.2d 1695 (Fed. Cir. 1996).

STATEMENT OF JURISDICTION

Petitioner's Statement of Jurisdiction is correct.

STATEMENT OF THE CASE

A. Correction of Misstatements and Omissions in the Petition

The petition inexplicably omits crucial undisputed facts which formed the basis of the Federal Circuit's decision. Neither party disputed the District Court's Findings of Fact on appeal.

Glaringly omitted from the Petition is the fact that "Teets was named *chief engineer* of the GE90 Project [and] spent at least 70% of his time on the GE90 Project." See ¶ 14 of District Court Findings at A-17 of Petition (emphasis added).

In the opinion of the Federal Circuit the undisputed facts regarding the employment relationship unequivocally established that Chromalloy specifically directed Teets to solve the Project's problem. *Teets v. Chromalloy Gas Turbine Corporation*, 83 F.3d at 408-09. It just so happened that to solve that problem Teets came up with an invention which was a direct result of his assigned work on the Project.

Contrary to Petitioner's puzzling characterization of the Project and his assignment, Petitioner omits the fact that both the District Court and the Federal Circuit found that "GE requested proposals from DRB, decided to try two of the methods proposed, and stated that if DRB could successfully manufacture an economical one-piece leading edge whether by diffusion bonding or otherwise, GE would be interested in entering a long term contract."[1] See District Court opinion at A-21 of the Petition; *see also Teets*, 83 F.3d at 408 ("[T]he specific goal of the project was to develop a one-piece leading edge .... GE specifically and repeatedly expressed a desire for a one-piece solution.").

Also omitted from the petition was the fact that Chromalloy paid Teets for his (and Chromalloy's) efforts to develop

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[1] "DRB" refers to DRB Industries, a division of Chromalloy Gas Turbine Corporation.

the invention for the Project, paid for the tools, facilities, and testing of the invention for use on the Project, and also paid for filing a patent application for the invention at Teets' request. *Teets*, 83 F.3d at 408. Indeed, another important fact Petitioner omitted was that Teets himself acknowledged several times that the invention was "developed" by DRB (the company) for the GE 90 Project. *Id.*

Curiously, these undisputed facts are not mentioned in the petition. Each, however, formed a basis of the Federal Circuit's ruling that under Florida law and Supreme Court precedent Chromalloy, the employer, owned the invention.

B. Proceedings Below

The District Court acknowledged the aforementioned facts and even stated that such facts supported the conclusion that Chromalloy owned the invention. See District Court Conclusion at A-21 of Petition. But, the District Court, without citing any legal authority, erroneously concluded that Teets owned the invention based upon additional considerations never before used as criteria for determining invention ownership, i.e., DRB never previously applied for a patent, or entered the business of "inventing" apart from manufacturing or developing ways to manufacture, and no written contract was ever executed between the parties. *Teets*, 83 F.3d at 408-09; *see* District Court Conclusion at A-21, A-22 of Petition.

The Federal Circuit and Chromalloy accepted the District Court's Findings of Fact for purposes of the appeal, and Chromalloy only appealed from the District Court's Conclusion of Law. The Federal Circuit reviewed the District Court's conclusion for clear error. *Teets*, 83 F.3d at 408.

In reversing the District Court, the Federal Circuit correctly observed that the additional considerations upon which the District Court relied to rule in Teets' favor were simply irrelevant, as a matter of law, to the "employed to invent" and invention ownership determinations. *Id.* Thus, contrary to Petitioner's assertion, the only question before the Federal

Circuit was whether the District Court clearly erred in deciding the conclusion of law.

Specifically, the Federal Circuit held that the "undisputed facts show an implied-in-fact contract of assignment between Teets and DRB." *Id.* The Federal Circuit reversed the District Court because it "committed legal error" by ignoring the facts concerning the employment relationship as dictated by Florida law and Supreme Court precedent. *Id.* The District Court erroneously focused on irrelevant additional considerations that could not, as a matter of law, detract from the conclusion that Teets was employed to invent, and that an implied contract was created by the terms of Teets' employment at DRB. *Id.*

The Federal Circuit found that the District Court's Findings of Fact supported no other conclusion but that Teets was lawfully employed to invent under Florida law and Supreme Court precedent.

THE EMPLOYED TO INVENT RULE AND THE FLORIDA STANDARD

It is well settled that if an employee is hired and paid for the express purpose of using his skills and experience in the interest of his employer, the employer is entitled to any invention made by him in the performance of that employment. *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924); *Solomons v. United States*, 137 U.S. 342 (1890); *State v. Neal*, 12 So. 2d 590 (Fla.), 57 U.S.P.Q. 175, *cert. denied*, 320 U.S. 783 (1943).

The "employed-to-invent" rule has been succinctly stated by the Supreme Court:

> If one is employed to devise ... a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his employer. Whatever rights as an

> individual he may have had in and to his inventive powers, and that which they are able to accomplish, he has sold in advance to his employer.

Solomons, 137 U.S. at 346.

No express or written contract to invent is necessary. *E.F. Drew & Co. v. Reinhard*, 170 F.2d 679, 682, 79 U.S.P.Q. 252, 255 (2d Cir. 1948); *Magnetic Mfg. Co. v. Dings Magnetic Separator Co.*, 16 F.2d 739, 740-41 (7th Cir. 1926), *cert. denied*, 274 U.S. 740 (1927); *Neal*, 12 So. 2d at 592, 57 U.S.P.Q. at 177. The circumstances surrounding the employment can create an implied obligation upon an employee to assign any rights to an invention made pursuant to the employee's job responsibilities for the employer. *Id.*

If on the other hand the employment is general, though it may cover a field of labor and effort in the performance of which the employee conceived the invention, the contract is not so broadly construed as to require the assignment of the patent. *Hapgood v. Hewitt*, 119 U.S. 226 (1886).

Florida law follows the employed-to-invent rule. *See, e.g., Aloe Creme Labs., Inc. v. Farkas*, 145 U.S.P.Q. 649, 650-51 (S.D. Fla. 1965); *Neal*, 12 So. 2d at 591, 57 U.S.P.Q. at 176-77; *State Bd. of Educ. v. Bourne*, 7 So. 2d 838 (1942). Under Florida law, which is consistent with the aforesaid United States Supreme Court precedent, an employee is employed-to-invent "if the contract for employment by express terms or unequivocal inference shows that the employee was hired for the express purpose of producing the thing patented ... [the employer] must show that the employment was for the specific purpose of making the invention." *Neal*, 12 So. 2d at 591.

The Florida Supreme Court looks at a variety of factors to determine whether the employment was for the specific purpose of making the invention. As the District Court below correctly observed, these factors include: (1) the purpose of the project; (2) the employee's role in the project; (3) whether the employee used the employer's facilities to perfect the

idea; (4) who paid for the expenses of patenting the invention; and (5) the employee's assigned task of developing a better method which his invention ultimately achieved. *Id.*

It is important to note that the focus of the employed-to-invent rule is not whether the invention, per se, was the subject of the employment, but whether the circumstances of the employment gave rise to the invention, i.e., whether the invention was an outgrowth of the performance of the work, within the scope of the employee's job responsibilities, and for which the employee was paid. This is because the law recognizes that if an employee is directed to devise a means for accomplishing a prescribed result, his employment from that time hence is for the express purpose of accomplishing the directed result, including any inventions made in the course thereof. The employee has only produced that which he was employed to do. *Solomons*, 137 U.S. at 346; *Neal*, 12 So. 2d at 591, 57 U.S.P.Q. at 176-77; *accord*, *Standard Parts*, 264 U.S. at 59-60 (holding that where a paid employee agreed "to devote his time to the development of a process or machinery", and "[received] a stated compensation," his invention belonged to the employer); *United States v. Dubilier Condenser Corporation*, 289 U.S. 178 (1933) (one who succeeds in making an invention he was employed to make is bound to assign to his employer any patent he obtains); *Houghton v. United States*, 23 F.2d 386, 390 (4th Cir.), *cert. denied*, 277 U.S. 592 (1928); 6 Chisum, *Patents*, § 23.03[2], at 22-29 (1993) ("An employer will own the rights to a patentable invention of an employee if the employee was either initially hired or *later directed to solve a specific problem* or to exercise his/her 'inventive faculties' in an area." [Emphasis added]).

REASONS FOR DENYING THE WRIT

A. The Federal Circuit's Decision Does Not Conflict with *Dubilier* or *Bourne*

The *Dubilier* case, which Petitioner quotes from extensively and relies upon so heavily in his petition, is taken completely out of context. The following is a quotation from

the *Dubilier* case which clearly sets forth the facts upon which the Supreme Court made its determination:

> Dunmore and Lowell [the inventors] were employed in the radio section [of the U.S. Bureau of Standards] and engaged in research and testing in the laboratory. In the outlines of laboratory work the subject of "airplane radio" was assigned to the group of which Dunmore was chief and Lowell a member. The subject of "radio receiving sets" was assigned to a group of which J.L. Preston was chief, but to which neither Lowell nor Dunmore belonged.

Dubilier Condenser Corp., 289 U.S. at 183-85. The Supreme Court later continued:

> In the Fall of 1921 both Dunmore and Lowell were considering the problem of applying alternating current to broadcast receiving sets. **This project was not involved in or suggested by the problems with which the radio section was then dealing and was not assigned by any superior as a task to be solved by either of these employees. It was independent of their work and voluntarily assumed.**[2]

Id. (Emphasis added).

In brief, inventors Dunmore and Lowell were assigned to work on an operating relay for the remote control of bombs on airplanes and torpedoes but the invention in dispute involved applying alternating current to broadcast receivers. The Supreme Court observed that their invention was not even "suggested by the problems with which the radio section was then dealing...." *Dubilier*, 289 U.S. at 183-85. Under similar circumstances, where the employee's invention was

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[2] The Court should also note that the inventors in *Dubilier* filed a patent on their own. Petitioner, on the other hand, approached Chromalloy to file a patent for the invention because he understood the invention belonged to Chromalloy.

conceived before undertaking to work on a problem for his employer, *Bourne* held that the invention belonged to the employee. *Bourne*, 7 So. 2d at 841.

B. The Federal Circuit Decision Is Directly In Line With Florida law and Supreme Court Precedent

This case presents no issue that would resolve a conflict among the circuits or the states or an inconsistency among prior Supreme Court precedent. To the contrary, the Federal Circuit applied the very factual findings of the District Court and simply held, based on those findings, that Florida law and Supreme Court precedent compelled the conclusion that the invention belonged to the employer.

In complete contrast to the *Dubilier* and *Bourne* decisions, Teets' invention was a direct result of the manufacturing problem presented by GE to DRB, and DRB's work on the GE90 Project. Indeed, the invention has no purpose outside the context of that project. Teets was specifically assigned to the GE90 Project, and was expected, as DRB's Chief Engineer on that Project, to work on and solve that problem.

Thus, unlike the facts in *Dubilier* and *Bourne*, Teets was not working outside the scope of the GE90 Project. His work was at the very heart of the GE90 Project; the invention, a **process** to make leading edges for the GE90 engine, has no other function or purpose.

Accordingly, the Federal Circuit properly relied upon the *Bourne* and *Neal* factors and focused on the employment relationship to find that an implied contract was created between Teets and Chromalloy. No facts were reweighed because all facts were deemed undisputed. The Federal Circuit held, as a matter of law, that the District Court committed legal error by relying on considerations irrelevant to the employed to invent determination as set forth in *Neal*, *Bourne*, *Standard Parts*, and *Dubilier*. *Teets*, 83 F.3d at 408.

C. The Petition States No Justification For Review By This Court

Petitioner wrongly asserts that the Federal Circuit decision will now allow every employer's "goal or dream to be a basis for an implied contract to invent." This case does not transcend the dispute between the parties, i.e., the factual circumstances surrounding Teets' employment relationship at Chromalloy (DRB) and the legal consequences derived from the established precedent. The undisputed facts established that Teets' invention was a direct outgrowth of his assigned work and well within his paid job responsibilities as chief engineer at DRB. The Federal Circuit's decision was correct, as a matter of law, because it simply applied well established Florida law and Supreme Court precedent.

CONCLUSION

No reversible error can be attributed to the Federal Circuit's decision, and therefore, review of that decision is unwarranted. The petition for writ of certiorari should, therefore, be denied.

Respectfully submitted,

STANLEY H. LIEBERSTEIN
Counsel of Record for Respondent
OSTROLENK, FABER, GERB & SOFFEN LLP
1180 Avenue of the Americas
New York, New York 10036
(212) 382-0700